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Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

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RE: Comments on Southwest Gas Corporation Application for revision to the rate collected by the Demand Side Management Adjustor – Docket – G-01551A-~~12345~~ 10 - 0458

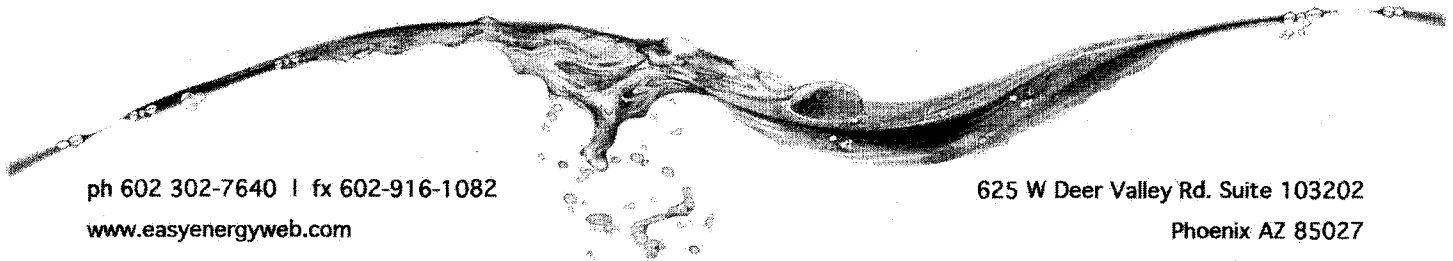
Dear Chairman Pierce, Commissioner Kennedy, Commissioner Burns, Commissioner Newman, Commissioner Stump:

Easy Energy appreciates the opportunity to comment on the 2012 Southwest Gas (SW Gas) revision to the rate collected by the Demand Side Management (DSM) Adjustor. I urge the Commissioners to approve the proposed increase in the DSM Adjustor by SW Gas in order to support the future funding levels of its energy efficiency and renewable programs. Following are specific comments relating to the benefits of Commercial Combined Heat and Power (CHP).

CHP – Smarter Greener Better Distributed Generation

Easy Energy applauds SW Gas for incorporating a CHP rebate program into its 2012 Implementation Plan. This high-efficiency technology is an excellent fit for master metered multi-family housing, senior living centers, and hotels, all of which have a constant thermal load for domestic water heating combined with a significant electrical load. With this technology, the same therm of natural gas can be used to produce prime power (electricity) as well as provide heat for water heating applications, which can drive efficiency to 70% or more. In the summer months when utility electrical loads can approach over-capacity, these generators offer stable and reliable electrical generation onsite and can free up electrical grid capacity for other customers. Additionally, in the warm climates of Central and Southern Arizona, the heat generated by the engine can be utilized in absorption chilling equipment that provides additional cooling capacity for commercial facilities. Widespread adoption of CHP in appropriate commercial applications would lessen the growing need for “peaker” plants to meet electrical demand and make more efficient use of each therm of natural gas consumed at a customer site.

Easy Energy is proud to have installed a 100KW CHP unit at the Clarion Hotel in Phoenix, finishing up installation within the last 30 days, after nearly one year of project development, permitting, financing, and installation. This hotel will generate electricity at \$.10/kwh vs. \$.16/kwh on-peak as well as capture the waste heat for the hotel's domestic water heating, saving an addition \$1.00/therm. The SW Gas Distributed Energy Generation program was utilized for this project, helping to generate a payback period of 2.4 years in avoided electric cost and heating.



ph 602 302-7640 | fx 602-916-1082
www.easyenergyweb.com

625 W Deer Valley Rd. Suite 103202
Phoenix AZ 85027



Three months ago, our firm began development of a 1.2MW CHP plant slated for a 600-bed senior living center/hospice in Tucson. The facility struggles with aging and inefficient mechanical room equipment (chillers and boilers) which consumes excess energy, underperforms in providing adequate cooling during the warm summer months and lacks an automatic redundant electric system in the event of an electrical power outage. As we considered the short and long-range energy needs of this facility, it became apparent that incorporating more efficient chilling equipment with a highly efficient CHP plant would deliver the best Return on Investment for the facility. Upon completion, this facility will be largely independent of the electrical grid, relying on TEP as a back-up source of power vs primary power and the plant will pay for itself within five years, based on today's electrical/natural gas costs. During the course of planning and construction, more than 30 jobs will be retained/created ranging from skilled trade labor, to engineers and project administrators. Additionally, the 800+ senior residents will enjoy a higher comfort level, kept affordable for years to come with the help of the Distributed Energy Generation Incentive and an aggressive financing package offered by a major commercial lender.

The relatively short payback period for a project of this magnitude could only be accomplished with the help of the Distributed Energy Generation incentive offered by SW Gas. However, this project alone, expected for completion in November 2012, will drain the remaining funds available through the Distributed Energy Generation program. In order for CHP development to continue, lenders and developers must have a confidence level that the program will be available with adequate funding for solid projects for a three year horizon, allowing time to acquire projects and develop the financing and sub-contracting necessary to build power plants of this scope. Easy Energy currently has an additional 1.5 MW of CHP capacity in its pipeline, but will delay development of those projects until a decision is made by the Corporation Commission on the funding available for 2013. A swift decision is necessary in order to prepare projects for completion in 2013.

Our firm supports the increase proposed by SW Gas to set the 2013 incentive level at \$1.75 million and supports the increase in the demand side adjustor to fund the increase. More commercial facilities, particularly those that serve the residential sector as well as Arizona's critical tourism sector, should have access to CHP equipment that (1) increases energy efficiency, (2) provides base-load power without interruption to the electrical grid (3) better controls and lowers overall energy costs, and 4) utilizes clean-burning natural gas for power generation onsite in place of burning coal at the central power plants.

Respectfully,

A handwritten signature in cursive script that reads 'Brian M. Bartel'.

Brian Bartel
President

ph 602 302-7640 | fx 602-916-1082
www.easyenergyweb.com

625 W Deer Valley Rd. Suite 103202
Phoenix AZ 85027

